

03 October 1985


MEMORANDUM FOR THE RECORD

SUBJECT: Roth/Stevens Supplemental Retirement Legislation

1. The Roth/Stevens supplemental retirement bill went to the final mark-up session before the Senate Governmental Affairs Committee on 02 October 1985. There was no final print of the bill available before the mark-up, thus the committee approved the provisions in principal subject to final drafting by the staff. It was extremely difficult to discern just what those provisions were, based on the committee's discussion; however, the provisions outlined in the attached are what appeared to come out of the session. It was clear that the final Senate bill will consist of two options (not to exceed a cost of 21.9% of payroll): (A) A non-contributory plan with retirement at age 62 for unreduced benefits; or (B) a plan allowing employees to contribute to the defined benefit and have retirement at age 55 with unreduced benefits. The provisions are subject to change to achieve the 21.9% cost factor and the variable in all probability will be the accrual rate for option B. Ed Hustead is running cost comparisons on these provisions which will be available early next week.

2. According to Ed Hustead and Andy Ruddock the House Post Office and Civil Service is expected to announce it's proposals mid/late next week. The House plan will include, in all likelihood, greater benefits than the Senate version. As it now stands, the House still plans to hold hearings and get a bill passed before going to conference with the Senate (presuming the Senate includes its retirement proposal in the Budget Reconciliation Act). The whole process, if it proceeds this way, would take about four weeks to get the retirement issue to conference.

cc: DD/EBS
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Chrono

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ROTH/STEVENS SUPPLEMENTAL RETIREMENT

Proposal will consist of two options

OPTION A -

- (1) Non contributory to defined benefit
- (2) Retirement at 62 (unreduced), Retirement at 55 reduced 2% per year
- (3) Full Government matching on Thrift plan up to 5%
- (4) Increased survivor and disability benefits
- (5) Three tiered COLA
 - 0% for ages 55 to 62
 - CPI - 2 between 62 and 67
 - Full CPI 67 and over

OPTION B -

- (1) Employee Can make contribution to defined benefit
 - (2) Retirement at age 55 with unreduced benefits
 - (3) Thrift Plan - graduated formulas
 - full matching of first 1%
 - \$.50 match on 2-3%
 - \$.25 match on 4-6%
 - Total maximum government contribution 2.75%
 - (4) Increased Survivor and Disability Benefits
 - (5) COLA
 - Full CPI after 62
 - CPI-2 before age 62
- Cost limit set at 21.9%
- Final bill depends on cost estimates - can be some changes in above to attain 21.9%